

Sanoma Corporation

Annual Report 1987



Sanoma Group in Figures

	1987	Change %	1986	1985
Turnover FIM m.	1.627	+ 9,9	1.480	1.351
Wages and salaries including social security payments FIM m.	669	+ 6,7	627	566
Per cent out of turnover	41,1		42,4	41,8
Operating profit FIM m.	322	+ 23,9	260	245
Per cent out of turnover	19,8		17,6	18,1
Depreciation FIM m.	133	- 5,0	140	130
Taxes payable FIM m.	47	+ 62,1	29	25
Dividends FIM m.	3	-	3	3
Investments FIM m.	363	+ 10,0	330	287
Shareholders' equity (including untaxed reserves) FIM m.	738	+ 5,7	698	584
Per cent out of Balance sheet grand total subscription liability excluded	45,4		49,0	49,7
Balance Sheet Grand Total FIM m.	1.818	+ 13,4	1.603	1.340
Financial assets compared with outside liabilities without interest	1,6		1,6	1,5
Net debt	337	+49,1	226	167
Per cent out of turnover	20,7		15,3	12,4
Personnel in average	2.971	- 4,0	3.096	2.972
newspaper deliverers	2.156	- 5,6	2.284	2.273

Pension liability costs have been included in operational costs for 1987 to make the figures comparable on counting the percentage.

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Board of Directors

Aatos Erkko, Chairman	for the term until	1990
Väinö J. Nurmimaa, Vice Chairman		1989
Aarne Castrén		1988
Pentti J. K. Kouri		1989
Teo Mertanen		1990
Jaakko Rauramo		1989
Patricia Seppälä		1988

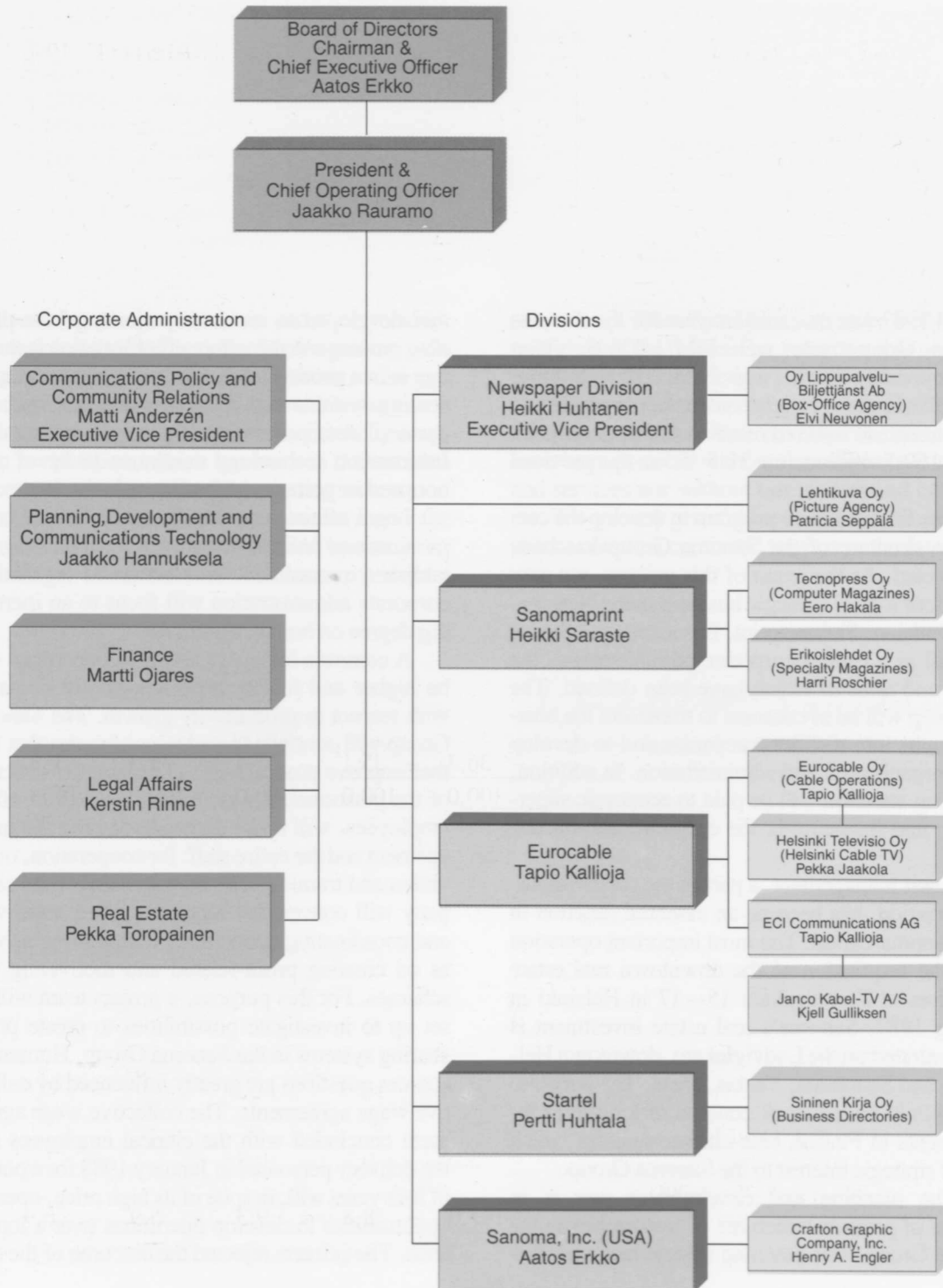
Auditors

Mr. Aimo Autio, Authorised Public Accountant, and Mr Antti Helenius, Authorised Public Accountant, have acted as Auditors, with Mrs Johanna Perälä, Authorised Public Accountant, and Mr Aunus Salmi, Authorised Public Accountant, as their Deputies.

Sanoma Corporation Income Statement in Percentage of Turnover

	1987	1986	1985	1984	1983
	%	%	%	%	%
Sales proceeds	136,3	135,1	135,4	135,3	133,0
Adjustment to gross sales	- 36,3	- 35,1	- 35,4	- 35,3	- 33,0
Turnover	100,0	100,0	100,0	100,0	100,0
Leasing income	+ 0,8	+ 0,7	+ 0,7	+ 0,6	+ 0,2
Material expenditures	- 22,3	- 23,9	- 22,9	- 23,3	- 23,1
Staff related expenses	- 42,1	- 43,1	- 43,6	- 44,7	- 44,9
Other expenditures	- 16,5	- 16,0	- 15,8	- 15,6	- 15,4
Profit on operations before depreciation	19,9	17,7	18,4	17,0	16,8
Net interest	+ 0,6	+ 0,1	+ 0,1	+ 1,6	+ 2,0
Taxes paid	- 3,0	- 2,0	- 1,8	- 2,1	- 1,4
Other revenues and expenditures	- 0,5	+ 1,1	+ 0,8	+ 0,3	+ 0,2
Income finance	17,0	16,9	17,5	16,8	17,6
Unfunded pension liability +/- funded pension liability -	- 3,0	+ 0,7	+ 0,5	+ 1,0	+ 1,1
Maximum depreciation under Business Taxation Act	- 7,0	- 8,8	- 9,3	- 5,9	- 6,9
Profit for the year	7,0	8,8	8,7	11,9	11,8

Sanoma Group



President's Report

Fiscal 1987 was an excellent year for the Sanoma Group. Our net sales were FIM 1,626.6 million and operating profit was FIM 322.5 million, 19.8 % of sales. Profit before extraordinary items, adjustments to untaxed reserves and taxes stood at FIM 169.5 million, up 31.5 % on the previous year.

The first stage in a program to develop the corporate structure of the Sanoma Group has been completed. As the result of this process, we now have four logical strategic business units: Newspaper Division, Sanomaprint, Eurocable and Startel as well as a central corporate administration, the tasks and roles of which have been defined. The next step will be to continue to transform the business units into distinct companies and to develop their organization and administration. In addition, growing attention will be paid to economic supervision and financing in the corporate administration.

Asset management, a part of the corporate administration, has become an essential function in the Sanoma Group. The most important operation was the acquisition of the downtown real estate premises at Erottajankatu 15—17 in Helsinki in spring 1987. Sanoma's real estate investment is concentrated on the Ludviginkatu, downtown Helsinki, and Sanomala, Vantaa, areas. The portfolio of publicly traded stock consists of long-term investments in Finnish blue-chip companies which are of strategic interest to the Sanoma Group.

The planning and development unit is in charge of projects which are of importance to the whole Group. The planning system has been fur-

ther developed to ensure superiority of the planning process. As the nature of information technology is in a process of change, centralized dataprocessing systems will be rapidly decentralized and personal data processing increased considerably. Information technology continues to be of pronounced importance to the Group in the future.

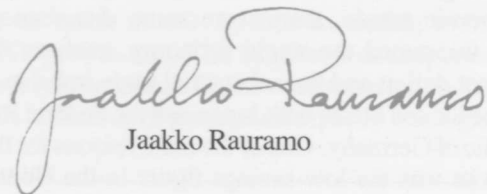
Legal affairs, community relations and communications policy are handled by following established procedures. In addition to legislation, corporate administration will focus to an increasing degree on human resources.

A common feature of all future operations will be higher and higher expectations and demands with respect to productivity growth. The Sanoma Group will continue to make investments that further improve productivity. The changing structure of the personnel, the increasing number of office employees, will make demands on both the management and the entire staff: for cooperation, motivation and training. The management of the company will concentrate increasingly on improving and coordinating cooperation and training as well as on creating profit-related and motivating pay schemes. For this purpose, a project team will be set up to investigate possibilities to create profit sharing systems in the Sanoma Group. Human resources questions are greatly influenced by collective wage agreements. The collective wage agreement concluded with the clerical employees and the delivery personnel in January 1988 for a period of four years will, in spite of its high price, open up opportunities to develop operations over a longer term. The printers rejected the outcome of the col-

lective bargaining, which is most regrettable. Maintaining the lead in collective bargaining calls for a dynamic and unprejudiced attitude on the part of employees as well. I hope that within one year it will be possible to achieve the traditionally long-term cooperation, which has been in the interests of both the employees and the printing industry.

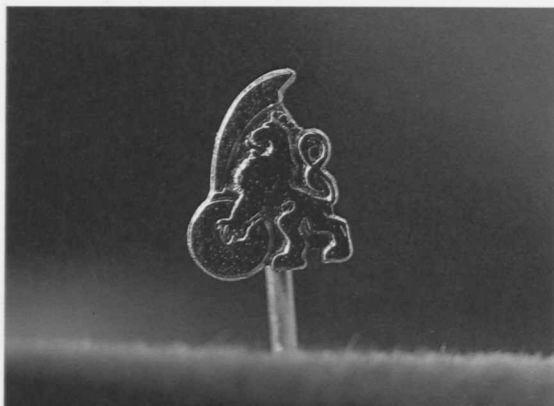
Although both the world economy and the Finnish economy are overshadowed by many uncertainties, I feel that the real economy is on a

sound basis. Therefore I trust we can be fairly optimistic about the future. Our present stable position is based on the knowledge, expertise and excellent contribution of our employees. I wish to thank you all warmly for that. This development would not have been possible without the suppliers of goods and services nor without our readers and customers. We are very grateful for the past and hope to be able to count on continued support in the future.



Jaakko Rauramo

Report by the Board of Directors on Sanoma Corporation operations in 1987



International economic trends

Although 1987 was marked by fairly favorable economic trends, there were some disturbances that threatened the world economy, such as the budget deficit and the substantial trade imbalance of the United States with Japan and the Federal Republic of Germany. One of the main reasons for the deficits was the low savings figure in the United States compared with corresponding figures for these two trading partners.

The Gross National Product in the OECD countries has shown a steady growth since 1982, with an increase of 2.75 % in 1987. The GNP figure for OECD-Europe was slightly less. In Scandinavia, economic development has been quite favorable in Sweden and in Finland, whereas Denmark and Norway, saddled with trade deficits, have restricted their economic growth through more constrained economic policies.

The global stock market crash in October created substantial uncertainty in the world economy. The drastic fall in the value of the U.S. dollar together with the unsolved trade imbalance reduced confidence in the U.S. economy. This made economic forecasting particularly difficult. Prior to the

October stock market plunge, the experts had been predicting a continued steady growth of 2.5 % in the OECD countries in 1988; now the forecasts are as low as 2.0 %. This may lead to worse unemployment and higher inflation.

In 1986, inflation was reduced substantially by the decline in oil prices. During 1987, the oil price trend was irregular. The dollar prices of other raw materials increased considerably. On the other hand, the sharply decreased value of the dollar compensated for the price increases in other countries. A very slow inflationary trend continued in Japan and West Germany for the second year running. According to preliminary figures, inflation in the OECD countries was approximately 3.25 %. Provided the basic economic problems of the United States are solved satisfactorily, the world trade market will develop favorably and the inflation in the OECD countries will remain at approximately the present level. Should this not happen, the continuing uncertainty may lead to a severe recession, which will be reflected in the economic trends in Finland as well.

Economic trends in Finland

The Finnish economy has been very strong and sta-



ble for the last ten years. As a result of the fall in the price of crude oil, bilateral exports to the East bloc countries decreased in 1986. However, the value of total exports did not reach as low a level as at first had generally been anticipated. Exports to the West, which in the latter part of 1986 had shown a strong upswing, continued their pronounced upward trend also during 1987 for a 5.6 % increase on the year. Exports to the East decreased by 15.2 %. The total value of exports increased by 1.3 %. The biggest growth took place in the exports of the paper industry. On the average, the export prices increased by nearly 3 %. The prices of exports to the East bloc countries decreased due to the decline in the value of the rouble, the sharpened competition and the special structure of this bilateral trade.

The GNP rose over 3 %, especially due to the favorable trend in the exports to the West during the first half of the year. It would have been even 0.7 % higher had farmers' crops not been thoroughly devastated by disastrous weather conditions.

The most significant factor for maintaining the vigor of the Finnish economy is private consumption, which accounts for 40 % of the total demand and over 50 % of the Gross National Product. During the year, the purchasing power of households increased as much as 5.5 % in real terms. The substantial growth stemmed partly from the postponement of the more than FIM 3 billion tax refund from December 1986 to January 1987. As a result of higher incomes, there was a slight increase in the level of savings. New investment instruments in the financial markets and a positive real interest helped to increase savings. On the other hand, the amount of credit granted to the households increased by 11 %, i.e. 2 points faster than the growth of income.

The active promotion of loans by the national banks with very flexible repayment terms will further increase the indebtedness of households in the future in spite of a rather high interest rate. The soaring income of households together with the flexible loan markets have made the housing market livelier, raising considerably the prices especially in the Helsinki Metropolitan Area. In addition to credits granted for housing, considerable

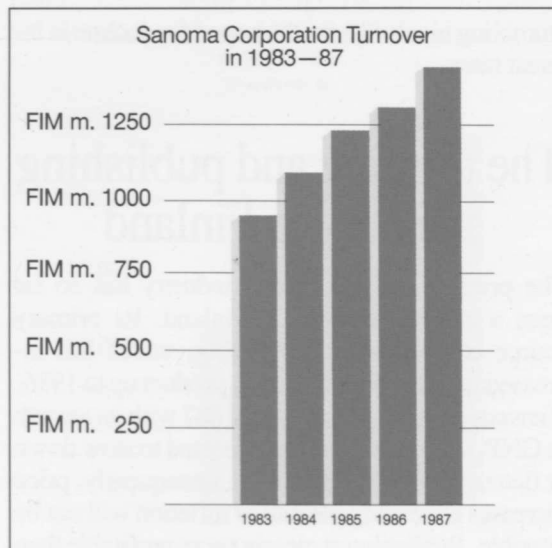
growth has taken place in consumer credits too.

The growth of the private sector's consumption was 5.0 %. It focused mainly on consumer goods, health services and foreign travel as well as various forms of recreation.

During 1986, investments decreased by more than 1 %. Public investments, however, were up 1.5 %, whereas private investments dropped back 1.6 %. The sharpest decline took place in housing investments. During 1987, investments increased



by as much as 4.0 %, thus exceeding even the GNP growth rate. The increase was supported by both real economic factors and monetary policies. The utilization of production capacity was high, es-

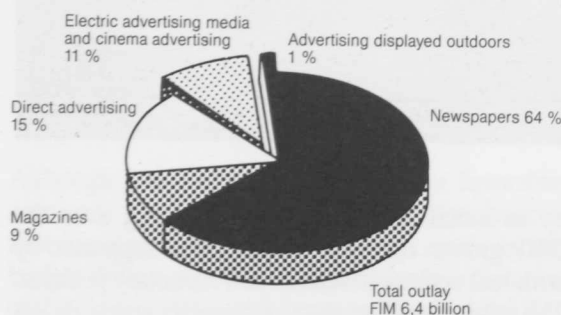


pecially in the forest industry, this being matched by increasing profitability in the main industrial branches.

The trade balance for 1987 showed a surplus in goods and services of FIM 2.5 billion. Despite this favorable trend, the deficit of FIM 9.2 billion in the total balance of payments in 1987 was double the previous year's figure. The main factors responsible for the unfavorable balance of payments were the drastic fall in freight revenues, the interest payments on foreign debt and the negative balance in tourism.

As it stands, the deficit in the balance of payments is not yet alarming. However, it is an indication of potential problems and may become a

ESTIMATED ADVERTISING OUTLAY 1987



stumbling block e.g. for the hoped for decline in interest rates.

The printing and publishing industry in Finland

The printing and publishing industry has so far been a growth industry in Finland. Its primary source of revenue is advertising, which has increased its share of the national product up to 1986. Viewed against the figures for 1987 with its growth in GNP, this growth can be expected to slow down or flatten out in relative terms. Consequently, price increases exceeding the rate of inflation will not be possible. Publishing is clearly more profitable than

commercial printing and varying profitability among different companies is characteristic of the field.

Printed media, especially newspapers, earn a larger share of total advertising revenues in Finland than they do in other countries. Electronic media are expected to slowly gain a larger relative share of future growth.

The growth of the printing and publishing industry is also reflected in the increase in personnel. During the last ten years, personnel increased from 30,000 to 40,000. Printing and publishing accounted for an 8 % share of total industrial employment at the end of 1987, whereas the figure was 5.9 % ten years earlier. During 1987, the number of wage-earners in the printing and publishing industry decreased by 2 %, whereas salaried personnel remained on the level of the previous year. The structure of personnel is expected to follow the same trend in the future.

Sales of the printing and publishing industry were FIM 12.8 billion, a rise of 7.5 % according to preliminary figures. Exports grew faster than sales, i.e. about 10 % against FIM 672 million the preceding year. Imports, which consisted mainly of books, magazines, forms and advertising products increased by 15 %, having been FIM 506 million in 1986. Machinery and equipment have accounted for about one third of the total value of imported investment goods for the industry in the last few years.

Over this same decade, the growth and profitability of the leading regional newspapers have outstripped the rest of the graphic industry. Newspapers have increased their market share of total advertising expenditures more than the other media. The general favorable economic trend of 1987 is also reflected in the increased circulation figures and advertising revenues of the newspapers. In 1987, total newspaper circulation was 3,253,452 — up 1.1 %. Morning papers published 3—7 times a week increased their circulation by 0.6 % and evening papers by 5 %.

The volume of advertising in the Finnish Newspaper Publishers Association member papers totaled 420.524 column meters, a rise of 4.7 %. The average annual subscription price for daily newspapers published seven days a week was 514

marks, an increase of 7.3 % on the previous year.

Magazines — and particularly the general interest ones — have shown a decrease in their circulation and market share over the last few years. As a result of these trends, the companies have trimmed their operations, particularly in the area of marketing and personnel. In 1987, the circulation of magazines showed a slight increase. The circulations of specialty magazines made better progress than those of general interest magazines, which is in keeping with the current trend.

The total circulation of the five largest magazine publishers showed a slight decrease during the first quarter of the year. Newsstand sales volume remained at the same level as in the previous year. The volume of advertising sales of the five largest magazine publishers increased by 0.8 % while the total advertising outlay rose 6.6 %. Specialty magazines did well against media competition, being better able to direct advertising in them at potential buyers.

The volume of electronic media also increased in 1987. The growth was mainly due to the greater number of TV channels and local radio stations. However, the total distribution of advertising has remained somewhat unaffected. According to preliminary figures, the total advertising revenues were FIM 669 million — an increase of 7.6 % over the previous year. The share of electronic media was 11.4 %.

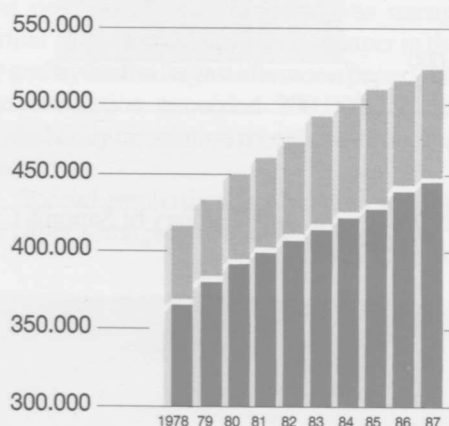
Operating environment of Sanoma Group

Sanoma Group was engaged in 1987 mainly in the same activities — newspapers, magazines, and other products — as in previous years. The management strategy of the Group focused more clearly than heretofore on the dual aspects of Sanoma Group as a whole and the strategic business units separately, on an individual basis.

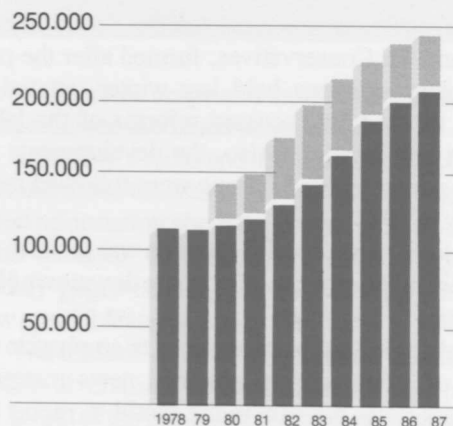
Construction of the satellite printing plant in Varkaus, 200 miles northeast of Helsinki, was started. The new plant will considerably improve service to newspaper readers. Cable operations, the company's main vehicle for international ex-

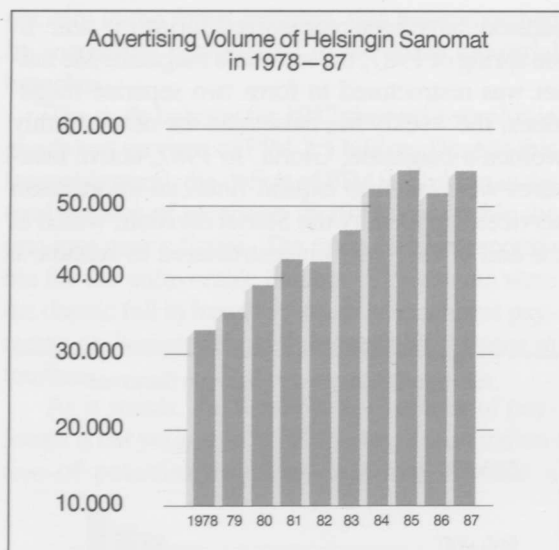
pansion, have been reorganized during the year. In the spring of 1987, the women's magazine Me naiset was restructured to form two separate magazines, the weekly Me naiset and the new monthly women's magazine, Gloria. In 1987, active measures were taken to expand financial information services supplied by the Startel division, which at the end of the year was restructured to become a

Average Circulation of Helsingin Sanomat in 1978—87
on Sundays



Average Circulation of Ilta-Sanomat in 1978—87
on weekends





separate wholly owned subsidiary of Sanoma Corporation as of 1988.

Newspaper Division

Helsingin Sanomat

The main news events covered in Helsingin Sanomat in 1987 focused particularly on changes in Finland's domestic politics, the strong structural change in the economy, the improvement in the relationships between the two superpowers, the Persian Gulf crises, and the strong fluctuations in the domestic and foreign stock markets.

The coalition government of the Social Democrats and the Conservatives, formed after the parliamentary elections held last winter, started to tackle the widely discussed reforms of the labor market and taxation. Also, the developments towards a more unified Europe were followed more closely in 1987.

In local news, special attention was given to the progress of the new city plan of the downtown Helsinki area.

Helsingin Sanomat continued to emphasize the value of independently obtained news material. The paper was the first in the world to report the military confrontation between India and China in

Tibet. Many major domestic economic news items — for instance, the closing down of the large Vuosaari Shipyard in Helsinki — were first reported on its pages.

The structure and the layout of Helsingin Sanomat were further developed. As of April 1987, the Sunday issue has been printed in two sections, with a newly organized structure and layout.

The agreement on the new text processing system in the editorial offices was renewed in the spring, and the system including graphing was implemented on a larger scale in December 1987. Development work to create archives based on electronic database information was carried out throughout the year.

The editorial department was partly reorganized on October 1. All the news departments including special pages and the supplements are now organized together under the same supervisors.



Marketing

The circulation sales organization was divided into two field departments: one entirely for Helsingin Sanomat and the other, which is organized under Sanomaprint, for Sanomaprint magazines.

Progress was made in improving the organization of the joint distribution systems. In the Helsinki Metropolitan area and surrounding counties the joint delivery of newspapers, an alternative available to all morning newspapers, is now practically entirely handled by Helsingin Sanomat. The distribution in central Finland was transferred to the newspaper Etelä-Suomen Sanomat in Lahti. In addition, joint distribution agreements have been



signed with the leading regional newspapers within the distribution area of the Varkaus satellite plant.

A simulation model was adopted for planning the optimum transport routes in the distribution of the newspapers. In this connection, the digitization of Finland's basic road map was initiated. Both the model and the digitized map were marketed to other companies.

The circulation increase of Helsingin Sanomat was 2.7 % on weekdays and 2.3 % on Sundays, while the average increase of all newspapers was 1.1 %. The average weekday circulation was 441,735, with 524,109 on Sundays. The sharpest circulation growth was clearly within southernmost Finland.

The magazine supplement was published 24 times. As of April, the magazine was inserted directly in the paper.

During the first half of the year, the annual subscription price (automatic renewals) for the daily Helsingin Sanomat was 578 marks, and 267 marks for the Sunday issue. After the 3.6 % increase in the annual subscription price on July 1, 1987, the corresponding figures are 599 marks and 279 marks. The newsstand copy prices remained the same throughout the year, 5 marks on weekdays and 6 marks on Sundays.

The advertising volume of 54,401 column meters was 5.4 % higher than in the preceding year. The annual advertising volume of Helsingin Sanomat was the largest in its history, the earlier record year being 1985. The favorable economic trends and active marketing efforts by the company contributed to increased advertising especially in the job vacancies section and in the retail advertising of

cars and brand name products. Investments in advanced technology in previous years made possible the use of multicolor advertisements on a larger scale also in the Sunday edition as well as the production of inserts as a new advertising media offered by Helsingin Sanomat. Advertising rates were raised by an average of 4 %.

The advertising volume in the magazine supplement totaled 731 pages and was 3.2 % higher than in the previous year. Over 7 million inserts were published.

Ilta=Sanomat

The position of Ilta=Sanomat was strengthened further as the second largest newspaper in the country and by far the largest afternoon paper. The average circulation exceeded 200,000. In addition, several daily circulation records were set during the year.

Special emphasis was placed on strengthening the paper's image as a reliable news source. During



the summer, the scope and the diversity of the contents received increased emphasis.

Thursday's radio and TV program supplement was increased to twelve pages to include more detailed information about the programs and other related material. Ilta=Sanomat started to publish weekly pages on the economy and the media as new special features during the year.

The content variety of the weekend edition was further diversified. Special attention was paid to the layout of the paper and the display of pictures as well.

The monthly special feature articles were continued on an even more diversified basis. The publication of advertising supplements prepared by clients was discontinued to avoid any possible misunderstanding regarding the editorial contents of the paper as opposed to advertising material. As of February, *Ilta-Sanomat* was published in three editions instead of the former two, with the exception of the weekend edition, which under normal circumstances is printed as one edition.

Marketing

The average circulation on weekdays was 204,470 and on weekends 236,260, a rise of 5,4 % and 2,4 %, respectively.



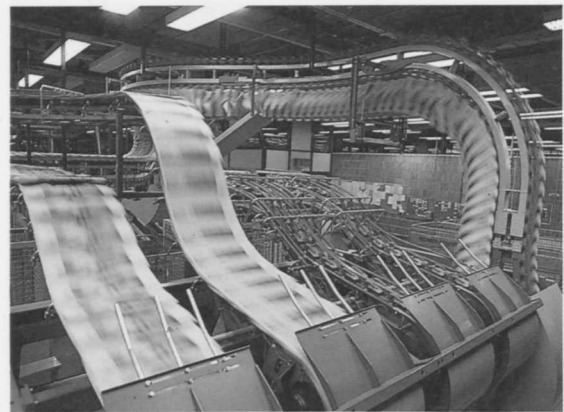
On September 1, 1987 the newsstand copy price on weekdays was raised to 4 marks and on weekends to 5 marks.

The number of sales outlets was increased by about 1,000 and the paper was available throughout the country by lunch time at over 8,000 sales outlets.

Brand name and leisure time advertising increased, as did the number of inserts preprinted on magazine newsprint.

Sanomala Sales

On September 1, 1987, the marketing of excess printing capacity was reorganized. Eight regular newspapers were printed for customers in 1987. In addition, almost 50 individual printing assign-



ments involving large newspaper editions were also carried out.

Production

The production process was notably improved by the installation of Ferag Ab inserting drums on all eight mailing lines, which has made it possible to insert the magazine supplement and the other supplements in the paper in the mail room. The Sunday paper is now printed in two parts, one of them in advance on Saturday afternoon, and the parts are combined by the inserting system. This new process also gives more possibilities to use four-color printing in the Sunday issue. A new SII advertisement system including 125 terminals was implemented at the end of January. The page facsimile system by Chemco was expanded to increase our capacity and security. Computer aided maintenance was started along with preventive maintenance programs.

Construction work on the Varkaus printing plant was started early in April. Orders for the printing presses had been placed already in the preceding year. Additional agreements were signed during the year for the mail room equipment, the page facsimile system, the plate making and the handling of newsprint reels. Most of the staffing of the Varkaus printing plant was completed in 1987. An extensive personnel training program will begin early in 1988.

The total consumption of newsprint at Sanomala in 1987 was over 70.000 tons, most of it 40 g/m² newsprint.

Oy Lippupalvelu-Biljettjänst Ab

The computerized ticket sales system which was implemented in 1986 has made possible the sale of tickets at low data transmission cost not only in the Helsinki Metropolitan area, but also at more distant sales outlets. Operating costs of the subsidiary have decreased due to the sophisticated ticket sales system. As a result, the company showed a profit for 1987. Oy Lippupalvelu-Biljettjänst Ab sold about 510,000 tickets for some 6,000 public events in 1987.

Newspaper Division personnel

The Newspaper Division employed about 1,719 persons, 448 of whom were journalists; 606 were other salaried employees and 665 were wage-earners. The number of newspaper deliverers was 2,271.



Lehtikuva Oy

The news picture agency Lehtikuva Oy expanded its international activities in 1987. To strengthen the operations of the agency in Europe — in addition to the Reuters news picture service —, it was decided to become a shareholder in the European Pressphoto Agency B.V. Lehtikuva Oy is now their sole representative for Finland. During 1987, an agreement was also finalized with Tass, including the representation of the Tass color service.

The most important picture events were two sports games at the World Championships level: The World Ski Championships at Oberstdorf and the Rome World Championships in Athletics, in

Italy. Other important news events were the parliamentary elections in Finland, Mathias Rust's flight and landing in Moscow's Red Square and the ensuing court hearings.

Lehtikuva Oy was the first photo agency in the world to put into use Reuter's electronic PC-operated telephoto terminal. This took place prior to the World Championships in Rome. The use of the terminal distinctly improved the editing, the quality and the speed of the picture service from the games. At the same time, the telephoto transmission of pictures in black and white as well as in color directly from negatives and slides was started with Hasselblad equipment.

Cooperation with Sanomaprint, the commercial printing plant of Sanoma Corporation, was further strengthened and the new LK Studio is now jointly used by the Lehtikuva and the Sanomaprint photographers.

The financial performance of the company was good, as it was in the preceding year.

Sanomaprint

Sanomaprint continued to publish magazines, books and business publications as well as to market commercial printing services. The operations of the subsidiaries Tecnopress Oy and Erikoislehdet Oy, both of which are publishers of specialty magazines, were further integrated into Sanomaprint. Oy Linguaphone Ab, a subsidiary which markets language courses, was sold on November 18, 1987. Sanomaprint's organization was further developed.

Sanomaprint magazines had a better year than



magazines of the other publishers. The total circulation of Sanomaprint magazines rose by 6.4 %. The volume of single copy sales rose by 7.9 %. Compared with the previous year, the largest circulation increases took place in the handicraft magazine *Suuri Käsityökerho* and the senior citizens' magazine *et-lehti*. Also *Terveys 2000* (Health 2000) and *Maija Mehiläinen* (Mary the Bee), which replaced *Liisa Ihmemaassa* (Alice in Wonderland), were showing a satisfactory growth. The magazine advertising volume increased more than expected, with growth of 6.6 % compared with 1986.

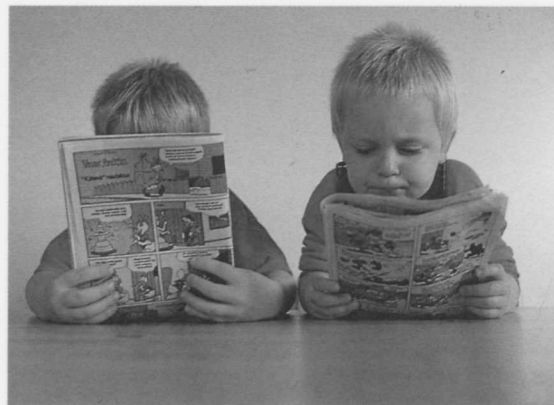
As mentioned earlier, the women's magazine *Me naiset* was divided into two separate magazines. The weekly *Me naiset* is edited and printed in faster tempo and the contents are more in the line of newsweekly reporting. The subscription and



newsstand prices have been set to be as competitive as possible.

The new monthly women's magazine *Gloria* was developed on the concept of the special issues of the *Me naiset* magazine. *Gloria* writes about fashion and beauty for internationally minded readers. Both *Me Naiset* and *Gloria* have been very well received by readers as well as advertisers. This shows that there is a potential demand for new types of periodicals, even though the total market for magazines is not on the increase.

A new magazine, *Sandra*, for knitting enthusiasts, was added to the spectrum of Sanomaprint knitting magazines. The strong market position of



the children's magazines remained unchanged. *Nalle Puh* (Winnie the Pooh) magazine was complemented with *Puuhaletti* (children's activity magazine).

Books based on the Walt Disney material represented also this year a major part in the book publishing. The children's own bookclub, *Lasten Oma Kirjakerho*, had 53,300 members.

During the year, Sanomaprint published 15 business publications including five new titles. New products were: *Kirkko ja Kaupunki* (Church and City), *Aja* (Drive), *Suoralinja* (Direct Line), *Gate Way* and *Linkki* (Link).

Tecnopress Oy, which specializes in publishing computer magazines, had another successful year. *C-lehti* (C Magazine), a magazine for users of Commodore home micros, was a new addition.

Erikoislehdet Oy published the magazine *Skimbaaja* featuring articles on tennis, skiing and windsurfing. 1987 was this company's first full year of operation as part of the Sanomaprint operating division.

Measures to further centralize the Sanomaprint printing activities at the *Martinlaakso* printing plant were taken during the year. The expansion of the existing printing plant, which houses the paper storage facility, two heat-set web offset printing presses and a bindery was started in the spring of 1987. The annex building will be finished by the summer of 1988. It will house the reproduction departments, the sheet fed printing departments and bindery, as well as the offices of the production management and the marketing department of the

commercial printing operations.

Sanomaprint employed an average of 762 persons: 88 journalists, 246 other salaried personnel and 428 wage-earning printing workers.

Eurocable Cable Operations

The cable TV operations of Sanoma Corporation were organized under the Eurocable division on September 1, 1987. Helsinki based Eurocable Ltd is in charge of the cable operations as well as customer program services in Finland, and the Swiss company ECI Communications AG, in Zug, is responsible for the international satellite and cable TV operations.

Eurocable division is also in charge of the operations of Helsinki Televisio Oy, Janco Kabel-TV A/S in Oslo, and Satelvision Oy as well as the rest of Sanoma Corporation's shareholdings in cable television companies. The ownerships in other cable television companies increased in 1987 through the acquisition of minority holdings in Westminster Cable Limited in London and Cork Communications Limited in Ireland.



Helsinki Televisio Oy (HTV)

HTV's cable network was further heavily expanded in the Helsinki Metropolitan area. Construction of new network sections was started in 12 residential areas. A total of 126,910 households were connected to the HTV network at the end of the year. New service contracts were signed with



12,000 households. The number of connected households is a little lower than usual due to the modernization of the network, which tied up technical resources.

In 1987, the channel capacity of the trunk and branch network within the Helsinki downtown area was increased from 12 to 44. In connection with the renovation, the network was divided into sections which are linked to the head end by optical fibre cable. In 1987, five new optical fibre cable installations were completed.

Three new channels were added to the basic service during the year. The French TV 5 and the English Super Channel were introduced in June and the domestic Kolmostelevisio (TV 3) in September. The program services were increased further by starting the transmission of Disney programs on weekends in December. During the fall, many joint programs were made with the communities within the servicing area of the cable company.

Pay-TV services were further expanded with the introduction of the Arts Channel and the 24-hour movie channel, FilmNet-24. In addition, marketing of the news channel, Cable News Network was started to hotels. The number of pay subscribers totaled 34,000 at the end of the year.

The financial performance of Helsinki Televisio Oy was good. However, the implementation of the new home decoder system and the renovation of the network exerted a drag on profitability, as expected. The turnover rose 14 %, mainly due to the increased number of subscribers and program services.

Janco Kabel-TV A/S

Janco-Kabel-TV A/S is an Oslo-based cable TV company with a cable network covering most of the city. By the end of the year, a total of 144,000 households were connected to the network, an increase of 1,500 over the previous year.

In February, Janco Kabel-TV A/S started transmitting Super Channel programs, an addition to the existing Norwegian and Swedish public broadcasting programs, local programs and Sky Channel satellite programs. Due to a change in the Norwegian broadcasting regulations, additional program services can be marketed in the Janco cable network during 1988. Preliminary measures were taken to launch pay-TV services also in Norway during the year.

Janco Kabel-TV A/S made investments in the upgrading of the network during the year. Plans to link up the main parts of the network with optical fibre cable were finalized during the year.

Sales rose 10 % during the year, for improved profitability over 1986. The good financial performance will enhance the possibility to increase the number of channels and to implement pay-TV operations in the future.

Planning of Janco Cable-TV A/S operations has been affected by questions related to the company's cable TV-license. After some eighteen months of reflection, the Norwegian officials have retrospectively taken the stand that any purchase of a majority shareholding in a Norwegian cable company requires prior approval and such approval will be withheld from foreign majority owners. This decision has been appealed. A final ruling is expected in the near future.

Startel

Startel and the subsidiary Sininen Kirja Oy form an operating division within Sanoma Corporation. The division supplies the corporate market with specialized information products and services.

In 1987 the main areas of operations were as follows: financial information services both in electronic and printed form, publishing of business directories, databases and business to business marketing tools.



Excitement on the fast growing securities markets increased in the fall when the Finnish stock market reacted to the turmoil experienced in the world's leading stock exchanges. This led to a sharp increase in the number of subscribers to Startel's financial online service. Realtime quotes from the Helsinki Stock Exchange, background information and news on various instruments can be accessed through Startel's Pörssilinja service. Several enhancements were introduced. New features include programs enabling historic data to be loaded via telecommunication lines directly to hooked-up personal computers for technical analyses and for graphing.

At the end of the year, an international dimension was added to the service by linking Startel's online system with Citicorp's computers in Parsippany, N.J., USA. This Global Report combines realtime rates from around the world, news and related information into a unique online service for Startel subscribers. Startel also publishes a newsletter called Pörssiviikko (Market Week) containing in-depth information, weekly figures and graphs concerning the Finnish stock market and other instruments.

Marketing of the EasyNet gateway system giving access to over 900 international databases was started in March in cooperation with the Finnish PTT, Posts and Telecommunications of Finland. Also, the EasyNet computer center in Bryn Mawr, Philadelphia is connected to Startel via international packet switched networks. The pertinent communications software was developed by the Divi-

sion.

Startel also continued to publish the communications magazine Uudet Viestimet (New Media). The magazine focuses on the electronic media scene on both the consumer and institutional level.

Sininen Kirja Oy published the following business directories in 1987: Sininen Kirja XIX (Finland's most comprehensive company register), Kuumat Linjat -87 (corporate phone book and yellow pages), Suomen Yritysten Taseet ja Taustat (Financial summaries of 3500 leading Finnish business enterprises), and Mistä Mitäkin Saa X (Who Supplies What in Finland). At the end of the year, the main data files of Sininen Kirja Oy contained up to date information on more than 110,000 companies and 130,000 corporate officers.

An important new product line is the Kompass directory, a product and services catalogue based on a worldwide multilingual classification code. The franchise agreement with Kompass Intl. was signed in May. Kompass directories are published in over 30 countries in Europe, Africa, the Middle and the Far East. The Kompass company data is internationally available online and the first CD-ROM applications are underway.

After long and intensive planning, Salespower, a PC-based business-to-business marketing system, was finalized in December. The system uses data from Sininen Kirja's company files and offers versatile tools for target group selection, campaign planning and follow-up.

Financially Sininen Kirja Oy performed well in the fiscal year 1987.

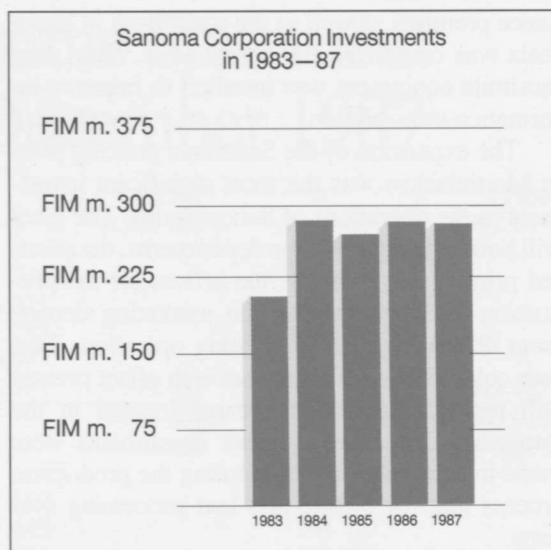
The Startel division employed an average of 78 persons including the personnel of Sininen Kirja Oy.

Sanoma, Inc. and Crafton Graphic Company, Inc.

The real estate operations of Sanoma, Inc. were successful and profitability was good.

However, the performance of Crafton Graphic Company, Inc., the high quality multicolor sheet-fed printing operation, was unsatisfactory.

Considering that the printing operation is unprofitable and since commercial printing is not a strategic area for future international growth of



Sanoma Corporation, a total restructuring of the New York operations will take place in 1988.

Sanoma Corporation Personnel

Sanoma Corporation employed an average of 2,648 persons, a decrease of 27 on 1986. In addition, 2,271 newspaper deliverers and 1,882 subscription agents were also employed. Salaries including social security payments accounted for 40.0 % of the sales. The Sanoma Pension Fund paid out FIM 11,331,023.18 in pensions. The company subsidiaries employed an average of 431 people.

Investments

The investments of Sanoma Corporation totaled FIM 274.6 million. Real estate accounted for FIM 61.3 million of this, machinery and equipment FIM 92.9 million, securities FIM 86.0 million, and other items FIM 34.4 million.

Construction work on the Varkaus satellite plant was the most important investment in the newspaper production. The plant is expected to be completed by the end of 1988. The machinery and equipment will be installed in the fall. The estimated total price of the Varkaus plant is FIM 250 million. Expansion of the newsprint storage, mainte-

nance premises as well as the mail room in Sanomala was completed during the year. New page facsimile equipment was installed to improve information transmission.

The expansion of the Sanomala printing plant in Martinlaakso was the most significant investment in the operations of Sanomaprint. The plant will house the reproduction departments, the sheet-fed printing departments, the offices for the production management and the marketing department of the commercial printing operation. Two four color Harris 1000 heat-set web offset presses will replace the former presses located in the Pitäjänmäki premises. Further investments were made in equipment for monitoring the production process and for picture and text processing systems.

The Erottajankatu 15-17 real estate premises were acquired and added to the Sanoma complex in downtown Helsinki. The refurbishing of the Erottajankatu 9-11 premises was continued and is expected to be completed by the end of the summer, 1988.

Financial Summary

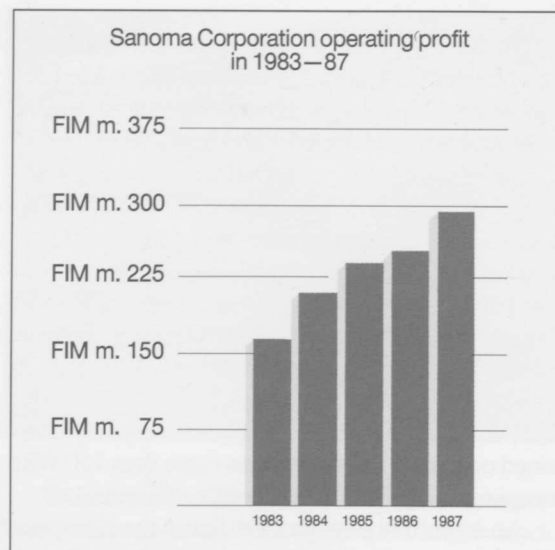
Sanoma Corporation's financial performance was excellent and profitability rose significantly compared with the previous year. Fiscal 1987 was a year of record earnings and revenue, which further strengthened the company's financial position.

This most favorable trend was spurred by the strong economy and the successful implementation of corporate strategies and marketing efforts.

Net sales were FIM 1,472.3 million, an increase of 9.6 % on the previous year. Cost of sales and operating expenses grew at a much slower pace, 6.9 %.

Profit on operations before depreciation totaled FIM 293.5 million, an increase of 23.7 % on 1986, and was 19.9 % of net sales as against 17.7 % the previous year.

The depreciations reflected in the financial statements totaled FIM 102.4 million which is the maximum allowed under the Business Taxation Act. Depreciation based on the estimated useful lifetime and replacement value would have totaled FIM 137.5 million. Using depreciation of FIM 137.5, the profit before extraordinary items, ad-



justments to untaxed reserves and taxes stood at FIM 167.9 million, an increase of 34.9 % on the previous year. The company has no unfunded pension liabilities.

Excess funds derived from operations are mainly invested in liquid financial instruments, real estate and publicly traded stock.

Sanoma Corporation's cash available at year end was over FIM 370 million, yielding an average of 12 % return, which compares favorably with the company's average borrowing rate of 8 %. The market value of the holdings in publicly traded stock exceeds the book value by FIM 250 million.

Sanoma Corporation is maintaining the policy of retaining the earnings at the company's disposal for future growth and expansion.

Net sales of Sanoma Group were 1,626.6 million, up 9.9 % on the previous year and profit on operations was 322.5 million, 19.8 % of net sales, as against 24 % the previous year. Using depreciation based on the estimated useful lifetime and replacement value, Sanoma Group profit before extraordinary items, adjustments to untaxed reserves and taxes was up 31.5 % on the previous year.

Consolidated Income Statement

1 January to 31 December 1987

(FIM 1,000)	1987	1986
Sales proceeds	2.206.294	1.992.045
Adjustment to gross sales		
Discounts	131.749	114.479
Credit losses	4.325	4.994
Purchase tax	72.297	65.208
Commissions and advertising agency fees	190.993	167.188
Other adjustment items	180.321	160.158
	- 579.685	- 512.027
Turnover	1.626.609	1.480.018
Leasing income	+ 12.450	+ 9.439
Variable expenditures		
Materials	377.569	346.272
Variable wages, salaries and fees	387.443	364.310
Other variable expenditures	131.405	120.997
Change in stock	- 4.016	+ 13.728
	- 892.401	- 845.307
Gross margin	746.658	644.150
Fixed expenditures		
Fixed wages, salaries and fees	159.666	143.728
Rents	28.610	26.788
Other fixed expenditures	235.932	213.586
	- 424.208	- 384.102
Profit on operations before depreciations	322.450	260.048
Depreciations		
Buildings	18.687	16.593
Machinery and equipment	96.623	111.176
Immaterial rights	926	843
Other outlays with long-term return	9.276	6.312
Additional depreciations of the Group	7.913	4.638
	- 133.425	- 139.562
Profit on operations after depreciations	189.025	120.486
Financial revenues and expenditures		
Interest revenues	45.602	33.398
Dividend revenues	7.220	5.497
Other financial revenues	1.551	508
Interest expenditures	- 44.760	- 35.991
Other expenditures on outside liabilities	- 6.454	- 2.048
	+ 3.159	+ 1.364
	192.184	121.850
Other revenues and expenditures		
Revenues	5.533	11.560
Expenditures	- 45.335	+ 7.185
	- 39.802	+ 18.745
Profit before reserves and taxes	152.382	140.595
Changes in reserves		
Inventory reserve, increase/decrease	- 2.043	+ 4.588
Investment reserve, increase	-	- 61.550
Other reserves, increase	- 38.682	- 28.400
	- 40.725	- 85.362
Direct taxes	46.815	29.196
— from the operating fund	- 187	- 27.016
	- 46.628	- 2.180
Minority share of the profit of the subsidiaries	+ 467	- 450
Profit for the year	FIM 65.496	FIM 52.603

Consolidated Balance Sheet

31 December 1987

Assets

(FIM 1,000)		1987		1986
Financial assets				
Cash in hand and in banks	71.780		102.274	
Accounts receivable	251.985		234.352	
Loans receivable	267.676		181.590	
Advance payments	2.566		3.010	
Deferred assets	44.125		44.855	
Other financial assets	94.295	732.427	104.873	670.954
Inventories				
Materials	52.887		48.820	
Products (finished and in process)	16.557	69.444	17.344	66.164
Fixed assets and other long-term expenditures				
Land areas	127.896		93.114	
Buildings	277.263		220.230	
Machinery and equipment	320.873		321.583	
Other material goods	29.579		27.227	
Shares and holdings	181.172		131.742	
Immaterial rights	5.217		5.269	
Other long-term expenditures from balance sheets of the companies	39.979	981.979	24.712	823.877
Corporation intangibles		33.032		41.333
Appreciation items		624		877
		<u>FIM 1.817.506</u>		<u>FIM 1.603.205</u>

Liabilities

(FIM 1,000)		1987		1986
Outside liabilities				
Short-term				
Accounts payable	61.139		69.761	
Advance payments	193.027		177.339	
Deferred liabilities	178.513		151.767	
Other short-term debts	62.143	494.822	48.759	447.626
Long-term				
Loans from financial institutions	203.919		158.940	
Pension loans	350.387		266.114	
Other long-term debts	20.125	574.431	24.343	449.397
Reserves				
Stock reserve	21.872		19.994	
Investment reserve	196.241		267.770	
Other reserves	164.157	382.270	125.729	413.493
Minority share		10.512		8.421
Shareholders' equity				
Bound capital	72.180		72.180	
Free capital	217.795		159.485	
Profit for the year	65.496	355.471	52.603	284.268
		<u>FIM 1.817.506</u>		<u>FIM 1.603.205</u>

Notes to Consolidated Financial Statements

as of 31 December 1987

1. Companies in the Group

The Group includes the parent company, Sanoma Corporation, and the following subsidiaries: Erikoislehdet Oy, ECI Communications AG, Eurocable Oy, Helsinki Televisio Oy, the sub-group of Janco Kabel-TV A/S, Lehtikuva Oy, Oy Lippupalvelu — Biljettjänst Ab, the sub-group of Sanoma, Inc., Simonpaino Oy, Sininen Kirja Oy (with subsidiaries Suomalainen Yritystiedosto Oy and Liiketieto — Business Information Oy), Tecnopress Oy and Kodin Kuvaletti — Terve Lapsi Oy, and the following apartment corporations: Asunto-osakeyhtiö Ilkantie 13, Asunto-osakeyhtiö Laajavuorenkuja 3, and the real estate corporations Fastighets Ab Skillnadsgatan 9—11 and 15—17.

2. Free shareholders' equity

As of 1 January 1987	212.087.774,79
Dividends distributed	- 2.840.304,00
Donations made	- 500.000,00
Taxes paid	- 187.211,95
Lehtikuva Oy depreciation adjustment	+ 13.781,35
Connection fees to Helsinki Televisio Oy	+ 7.050.591,30
Increase in exchange rate	+ 2.170.251,91

217.794.883,40

Profit for the year 65.495.871,35

As of 31 December 1987 283.290.754,75

3. Securities given as collateral against debt	54.826.564,70
Mortgages given as collateral against debt	187.000.000,00
Guarantees	3.778.281,81
Conditional liability	700.000,00

4. Taxation values of fixed assets

Land areas	38.282.903,00
Building	148.090.605,00
Shares and holdings	242.616.306,00

5. Liability deficit of the Sanoma Pension Fund	27.799.859,43
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Sanoma Corporation Income Statement

1 January to 31 December 1987

(FM 1,000)	1987	1986
Sales proceeds	2,006.364	1,814.613
Adjustment to gross sales		
Discounts	131.116	112.101
Credit losses	4.129	4.752
Purchase tax	68.324	61.560
Commissions and advertising agency fees	190.701	166.842
Transport costs for newspapers and magazines	124.288	113.827
Other adjustments to gross sales	15.505	12.772
	-534.063	- 471.854
Turnover	1,472.301	1,342.759
Leasing income	+ 12.511	+ 9.163
Variable expenditures		
Materials (1)	334.180	307.049
Variable wages, salaries and fees	359.969	337.453
Other variable expenditures	133.931	122.084
Change in inventory	- 5.337	+ 13.361
	-822.743	-779.947
Gross margin	662.069	571.975
Fixed expenditures		
Wages, salaries and fees	129.356	119.199
Rents	36.721	29.482
Other fixed expenditures (2)	202.536	186.143
	-368.613	-334.824
Profit on operations before depreciation	293.456	237.151
Depreciation (3)		
Buildings	15.098	14.102
Machinery and equipment	80.798	99.380
Immaterial rights	720	702
Other outlays with long-term return	5.803	3.894
	-102.419	-118.078
Profit on operations after depreciation	191.037	119.073
Financial revenues and expenditures		
Interest revenues	49.902	34.203
Dividend revenues	7.220	5.498
Dividend revenues from subsidiaries	500	100
Other financial revenues	1.396	392
Interest expenditures	- 41.556	- 33.431
Other expenditures on outside liabilities	- 5.526	- 1.610
	+ 11.936	+ 5.152
	202.973	124.225
Other revenues and expenditures		
Revenues (4)	3.942	10.981
Group subsidy	- 3.500	-
Other expenditure (5)	- 56.520	+ 9.233
	- 56.078	+ 20.214
Profit before reserves and taxes	146.895	144.439
Changes in reserves		
Inventory reserve, increase/decrease	- 1.868	+ 4.677
Investment reserve, increase	-	- 61.550
Other reserves, increase (6)	- 37.153	- 26.000
	- 39.021	- 82.873
Direct taxes	44.225	26.915
Out of the operating fund	-	26.915
	- 44.225	-
Profit for the year	mk 63.649	mk 61.566

Figures in the parenthesis refer to "Appended Information on Sanoma Corporation Income Statement and Balance Sheet" on page 30.

Sanoma Corporation Balance Sheet as of 31 December 1987

Assets

(FIM 1,000)		1987		1986
Financial assets				
Cash in hand and in banks	36.689		66.613	
Accounts receivable (7)	214.510		191.911	
Loans receivable (8)	385.045		247.236	
Advance payments	742		759	
Deferred assets	41.555		40.912	
Other financial assets (9)	91.073	769.614	100.668	648.099
Inventories				
Material	48.253		42.881	
Products (finished and in process)	11.334	59.587	11.369	54.250
Fixed assets and other long-term expenditures				
Land-areas	57.038		56.406	
Buildings	145.864		129.971	
Machinery and equipment	188.743		230.014	
Advance payments, machinery	75.842		42.416	
Shares and stock	172.124		126.819	
Shares and stock, subsidiaries	196.073		165.905	
Immaterial rights	4.306		4.541	
Other long-term expenditures	19.148	859.138	17.998	774.070
		<u>FIM 1.688.339</u>		<u>FIM 1.476.419</u>

Liabilities

(FIM 1,000)		1987		1986
Outside liabilities				
Short-term				
Accounts payable	73.883		54.791	
Advance payments (7)	177.616		163.465	
Deferred liabilities	158.965		140.582	
Other short-term debts	51.200	461.664	32.140	390.978
Long-term				
Loans from financial institutions	146.604		115.494	
Pension loans (10)	338.670		258.071	
Other reserves	10.231	495.505	10.231	383.796
Reserves				
Inventory reserve	20.855		18.987	
Investment reserves (11)	192.082		261.886	
Other reserves	157.566	370.503	120.413	401.286
Shareholders' equity				
Bound				
Share capital	14.202		14.202	
Value adjustment reserve fund	1.399	15.601	1.399	15.601
Free				
Operating fund	272.001		214.001	
Profit from previous years	9.416		9.191	
Profit for the year	63.649	345.066	61.566	284.758
		<u>FIM 1.688.339</u>		<u>FIM 1.476.419</u>

Notes to Sanoma Corporation Financial Statements as of 31 December 1987

1. Changes in shareholders' equity	
<i>Operation funds</i>	
As of 1 January 1987	214.001.211,91
Transferred from retained earnings	+ 58.000.000,00
Balance as of 31 December 1987	272.001.211,91
<i>Reserve for donations</i>	
As of 1 January 1987	—
Transferred from retained earnings	+ 500.000,00
Donations made	— 500.000,00
Balance as of 31 December 1987	—
<i>Retained earnings</i>	
As of 1 January 1987	70.756.729,75
Dividends distributed	— 2.840.304,00
Transferred to operations fund	— 58.000.000,00
Transferred to donations	— 500.000,00
	9.416.425,75
Profit for the year	63.648.549,61
Balance as of 31 December 1987	73.064.975,36
2. Securities given as collateral against debt	52.476.490,90
Mortgages given as collateral against debt	154.000.000,00
Guarantees	3.052.746,01
Guarantees on behalf of the subsidiaries	19.365.389,61
Liabilities on behalf of the subsidiaries	98.904,95
3. Receivables from subsidiaries	127.417.310,99
Debts to subsidiaries	44.972.497,22
4. Taxation values of fixed assets	
Land areas	31.694.875,00
Buildings	132.807.745,00
Shares and holdings	238.283.367,00
Shares and holdings, subsidiaries	110.977.267,00
5. Liability deficit of the Sanoma Pension Fund	27.706.113,11
6. Liability from pension commitments	1.243.436,00

7. Holdings by the Sanoma Corporation in other companies as of 31 December 1987.

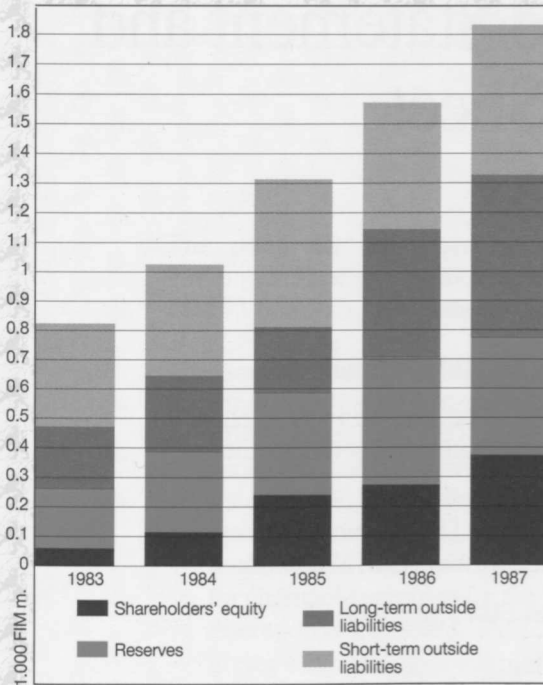
	Number	Percentage of all shares	Nominal value	Book value
<i>Subsidiaries</i>				
As. Oy Ilkantie 13	1.207	100	6.493.660,00	6.493.660,00
As. Oy Laajavuorenkuja 3	14.902	100	30.549.100,00	30.549.100,00
As. Oy Vellikello	100	100	120.000,00	120.000,00
ECI Commucations AG	3.000	100	CHF 300.000,00	876.480,00
Erikoislehdet Oy	10.000	100	500.000,00	500.000,00
Eurocable Oy	1.000	100	1.000.000,00	1.000.000,00
Helsinki Televisio Oy	3.298	72,09	3.627.800,00	3.627.800,00
HS-Invest A/S	500	100	NOK 50.000,00	34.095,00
Janco Kabel-TV A/S (X)	1.000	100	NOK 225.000,00	13.425.106,10
Kiinteistöosakeyhtiö				
Erottajankatu 9—11	3.678	100	367.800,00	58.395.130,00
Kiinteistöosakeyhtiö				
Erottajankatu 15—17	7.596	100	37.980.000,00	37.980.000,00
Kodin Kuvalehti				
— Terve Lapsi Oy	10	100	100,00	100,00
Lehtikuva Oy	75.000	100	750.000,00	1.025.400,45
Oy Lippupalvelu-				
Biljettjänst Ab	3.000	100	120.000,00	831.200,00
Sanoma, Inc.	400	100	USD 400,00	7.876.000,00
Simonpaino Oy	1.000	100	1.000.000,00	20.493.782,50
Sininen Kirja Oy	1.000	100	100.000,00	9.226.021,70
Tecnopress Oy	708	100	354.000,00	3.619.233,94
Subsidiaries, total				196.073.109,69
<i>Other companies:</i>				
Oy Ekokem Ab	90	0,66	180.000,00	180.000,00
Enso-Gutzeit Oy	18.157	0,02	181.570,00	137.809,34
Finnair Oy	305.011	1,27	1.525.055,00	2.953.473,81
Helsingin Telset Oy	50	33,34	500.000,00	150.000,00
Kajaani Oy	37.418	0,47	748.360,00	3.895.940,30
Kansallis-Osake-Pankki	344.312	0,24	6.886.240,00	13.658.872,82
Kymmene Oy	896.557	1,49	17.931.140,00	38.300.388,38
Metsä-Serla Oy	64.260	0,41	3.213.000,00	4.279.044,65
Oy Nokia Ab	630.760	1,32	12.615.210,00	39.292.028,65
Nordic Investors Limited	100	20,00	USD 10.000,00	5.630.750,00
Oy Radio Ykkönen				
— Radio Ettan Ab	11	14,28	110.000,00	200.000,00
Rauma-Repola Oy	21.934	0,02	219.340,00	285.174,70
Rautakirja Oy	62.422	17,33	15.605.500,00	5.976.339,72
Oy Suomen Yhdyspankki Ab	530.248	0,20	5.302.480,00	13.325.576,63
Yhtyneet Paperitehtaat Oy	33.900	0,11	678.000,00	4.176.217,50
Others				1.644.289,57
Other companies, total				134.085.906,07
Housing				38.038.163,07
Grand total				FIM 368.197.178,83

(X) Including shares owned by HS-Invest A/S.

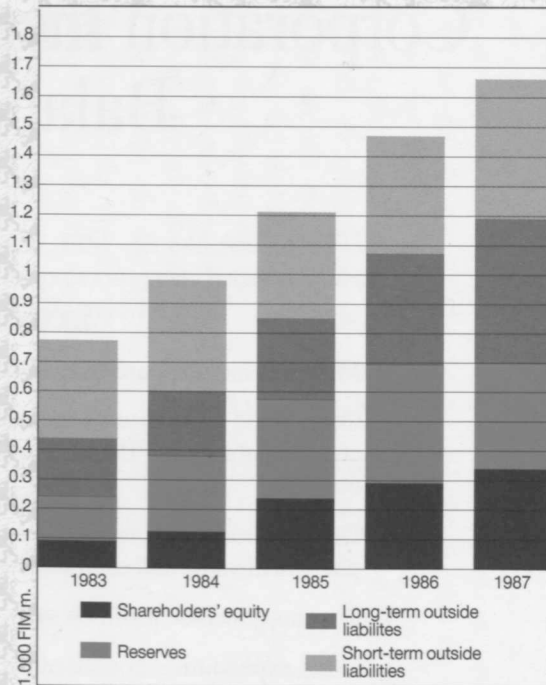
Changes in Financial Position 1985—1987

Sources of Funds (FIM m.)	Consolidated			Sanoma Corporation		
	1987	1986	1985	1987	1986	1985
Income financing						
Operating profit	335,3	274,8	240,3	306,0	251,6	235,0
Financial revenues and expenditures . .	3,1	1,4	- 1,5	11,9	5,2	6,0
Other income financing (net)	1,9	- 1,3	10,3	- 1,6	0,2	-
Income on fixed assets	10,9	29,7	116,0	11,5	32,4	110,3
Sale of subsidiary shares	1,4	3,4	-	-	-	-
— Taxes	- 46,8	- 29,3	- 24,6	- 44,2	- 26,9	- 23,1
Capital financing						
Increase in long-term outside liabilities	134,0	109,0	71,0	118,6	98,6	59,0
Connection fees to Helsinki Televisio Oy	9,7	13,2	12,2	-	-	-
Decrease in appreciation items	0,1	0,5	-	-	-	-
Difference in exchange rate	3,0	-	-	-	-	-
Total (A)	<u>452,6</u>	<u>401,4</u>	<u>423,7</u>	<u>402,2</u>	<u>361,1</u>	<u>387,2</u>
Use of Funds						
Distribution of profit						
Dividends	2,8	2,8	2,7	2,8	2,8	2,8
Other distribution of profit	0,5	0,4	0,3	0,5	0,4	0,4
Investments						
Investments in fixed assets	362,8	295,8	281,3	274,6	277,8	263,6
Subsidiary shares acquisition	0,1	34,0	5,6	-	-	-
Group subsidy	-	-	-	3,5	-	-
Transfer to the Sanoma Pension Fund	58,1	5,5	7,5	57,8	5,1	7,3
Increase in appreciation items	-	-	1,2	-	-	-
Decrease in minority share	-	-	0,1	-	-	-
Difference in exchange rate	-	3,2	3,4	-	-	-
Total (B)	<u>424,3</u>	<u>341,7</u>	<u>302,1</u>	<u>339,2</u>	<u>286,1</u>	<u>274,1</u>
Change in Net Working Capital						
Financial assets:						
increase +/decrease -.	+ 63,8	+ 81,9	+148,4	+121,5	+110,8	+120,9
Fixed assets:						
increase +/decrease -.	+ 3,5	- 13,5	- 18,2	+ 5,3	- 13,4	- 16,8
Short-term outside liabilities:						
increase -/decrease +	- 39,0	- 8,7	- 8,6	- 63,8	- 22,4	+ 9,0
Grand Total (A—B)	<u>28,3</u>	<u>59,7</u>	<u>121,6</u>	<u>63,0</u>	<u>75,0</u>	<u>113,1</u>

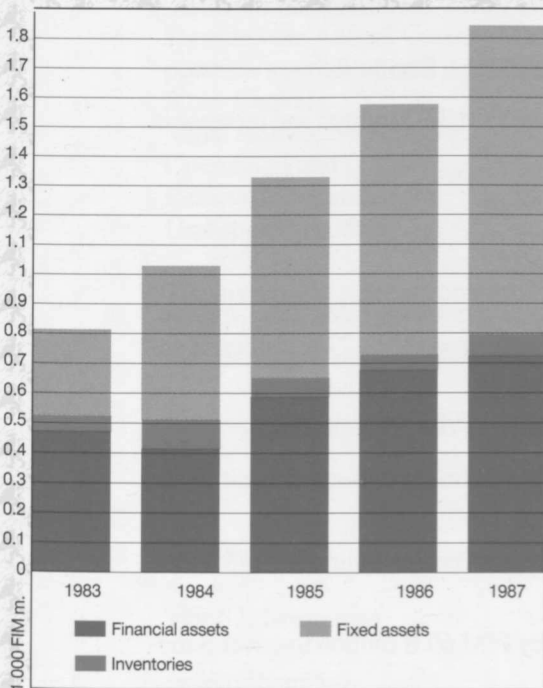
Changes in Financial Position Consolidated



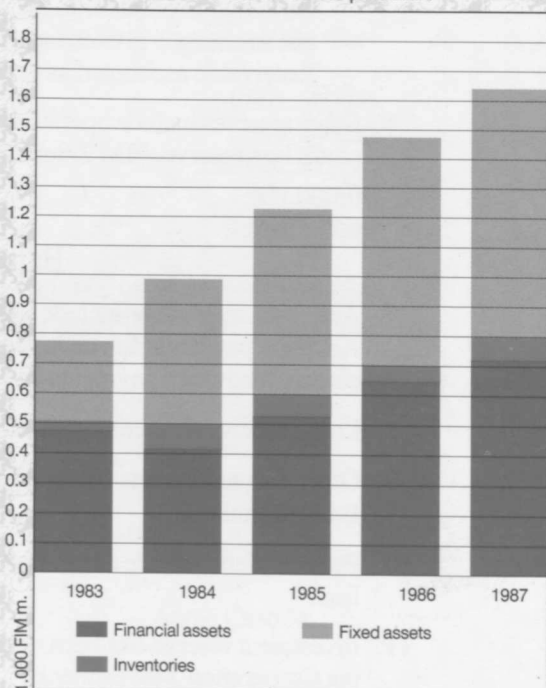
Changes in Financial Position Sanoma Corporation



Assets Consolidated



Assets Sanoma Corporation



Appended Information on Sanoma Corporation Income Statement and Balance Sheet

Income Statement

1. Materials include purchases of newsprint for FIM 273.1 million.
2. Other fixed expenditures include transfer to the Pension Fund to equal increased liability of FIM 12.5 million, as against FIM 14.4 million the previous year.
3. Depreciation under the Business Taxation Act. Depreciation based upon replacement value and estimated useful lifetime was FIM 137.5 million.
4. Revenues include profit on sales of shares FIM 3.6 million.
5. Other expenditures consist of the following:
 - Funding of the increased liability of the Pension Fund over the previous years.
 - Devaluation of Sanoma Inc. shares for FIM 9.3 million, half of which is due to changes in exchange rates.
 - Receivable accounted as expenditure, FIM 1.8 million.
6. Other reserves include operational reserve, FIM 34.3 million and increase in credit loss reserve, FIM 2.8 million.

Balance Sheet

7. Accounts receivable include subscription receivables FIM 103.3 million. Advance payments for undelivered subscriptions FIM 177.6 million is included in advance payments as a liability.
8. Loans receivable include loans to subsidiaries FIM 121.2 million.
9. Other financial assets include FIM 90.9 million investment deposit to the Bank of Finland.
10. Pension loans include a loan from the Sanoma Pension Fund FIM 145.1 million.
11. Investment reserve has been decreased by FIM 69.8 million to cover Sanoma Corporation's investments.

Proposal for Distribution of the Profit

The profit for the financial year totals FIM 63.648.549,61. FIM 9.416.425,75 of profit was retained from the previous year. Hence a total of FIM 73.064.975,36 is at the disposal of the General Meeting.

The Board of Directors proposes that,

from the above mentioned sum of	73.064.975,36
— a dividend of FIM 7.50	
should be paid for each share	3.550.380,00
— a sum should be transferred to the operations	
fund	60.000.000,00
— a sum should be transferred to the reserve	
for charitable purposes for the	
discretion of the Board	500.000,00
— giving a balance of	9.014.595,36

The balance is left on the Profit and Loss Account, and the Board of Directors is entitled to use it for payment of taxes in 1988.

Provided the Annual General Meeting adopts the above proposal, the Corporation's own fund will be as follows:

Share Capital	14.201.520,00
Value Adjustment Reserve	1.399.240,00
Operating Fund	332.001.211,91
Reserve for Donations	500.000,00
Undisposed Profit	9.014.595,36

The investment reserve comes to FIM 192.082.354,98, the inventory reserve to FIM 20.855.000,00, the credit loss reserve to FIM 12.301.000,00 and the operational reserve to FIM 145.265.000,00.

Helsinki, 19 February 1988

Aatos Erkko

Teo Mertanen

Patricia Seppälä

Väinö J. Nurmimaa

Aarne Castrén

Jaakko Rauramo

Pentti J. K. Kouri

Wages, salaries and social security payments of Sanoma Corporation

	1987	1986
Wages and salaries paid to personnel		
for hours worked	374.414.384,82	350.312.092,15
Pay for sickness and maternity leave	10.791.926,44	10.563.553,39
Annual holiday pay, including change in reserve	88.682.029,06	81.004.852,07
Wages and salaries and similar items	473.888.340,32	441.880.497,61
Employer's social security payments	28.317.701,22	29.914.852,16
Social insurance payments	62.044.878,63	52.449.256,54
Other statutory fringe benefits	9.427.055,20	8.002.248,45
Total	99.789.635,05	90.366.357,15
Non-statutory fringe benefits	16.835.612,36	15.970.811,65
Transfer to Sanoma Pension Fund	57.818.000,00	5.100.000,00
Total	74.653.612,36	21.070.811,65
Wages and salaries to non-members of personnel	18.520.534,81	17.518.793,58
Grand total	666.852.122,54	570.836.459,99

Social security payments do not include rents on premises, equipment etc., or other internal charges.

The above figures for 1987 include salaries and fees totaling FIM 2.717.715,00 paid to the members of the Board and the President.

Salaries and fees paid by the Group were 542.252.873,22 including a sum of FIM 5.076.709,10 to the members of the Board and the Presidents.

Auditors' Report

We have examined the accounting records, the annual report and the administration of Sanoma Corporation for the year ended 31 December, 1987. Our examination was made in accordance with generally accepted auditing standards.

Salmi, Virkkunen & Helenius Ky, Authorised Public Accountants have performed the supervisory audit during the financial year.

Parent Company

The Annual Report has been prepared in accordance with prevailing legislation. The profit for the year ended December 31, 1987 is FIM 63.648.549,61.

We recommend that
the Income Statement and the Balance Sheet are adopted,
the members of the Board of Directors and the President are discharged
of responsibility for the year 1987,
the profit is dealt with in accordance with the proposal in the Annual Report.

Consolidated Financial Statements

The Consolidated Financial Statements of the Group have been prepared in accordance with prevailing legislation. The free shareholders' equity amounts to FIM 283.291.000.

We recommend that
the Consolidated Income Statement and the Consolidated Balance Sheet
are adopted.

Helsinki, 4 March 1988

Aimo Autio
Authorised Public Accountant

Antti Helenius
Authorised Public Accountant

Sanoma Corporation Personnel

The trend in Sanoma Corporation personnel figures between 1983 and 1987 was as follows:

	Total excluding delivery personnel	Delivery personnel
1983	2,592	2,114
1984	2,652	2,349
1985	2,654	2,273
1986	2,675	2,284
1987	2,648	2,271

Staff turnover was 4.3 % during the year.

Employer-employee cooperation

Further steps were taken to enhance cooperation and an effective information flow between management and employees, and within peer groups. The advisory committees set up within the Corporation and in the profit centers continued to operate as before.



Staff health service

The health units provided occupational health, nursing and general health services. Following tradition, the blood transfusion service visited the Corporation's workplaces during the year. 167 Sanoma employees donated their blood.

The ratio of absence because of ill health was 3.2 %.

Training

Training of permanent staff was planned to meet the needs of each profit center by individual training committees and various expert teams. Training was arranged on both internal and external courses.

Pensioners

As of the beginning of 1987, legislation on partial pensions came into effect and the regulations of the Sanoma Pension Foundation were amended accordingly.

Pensioners are an important group helping to maintain the Corporation's traditions and the Sanoma spirit. A pensioners' organization called Sanomain Seniorit, which has company backing, arranged a varied program of travel, cultural and entertainment functions during the year.

109 Sanoma employees retired during 1987. There were 1,051 pensioners at the end of the year.

Awards

Retiring employees who had served the Corporation for at least 10 years were presented with the Central Chamber of Commerce award corresponding to the length of their service. These awards were presented to 54 people, nine of whom had served the Corporation for 30 years or more.

Internal information

The Sanomia in-house bulletin provided a source of rapid information, being distributed within the Corporation roughly every week. It came out 56 times during the year.

The Hesa staff magazine came out eight times. It is mailed to the home address of every regular employee and pensioner. The Sanomain Asiamies



subscription sales agents' magazine came out twice, as well as the Sanomia jakajillemme (for delivery personnel).

Recreation

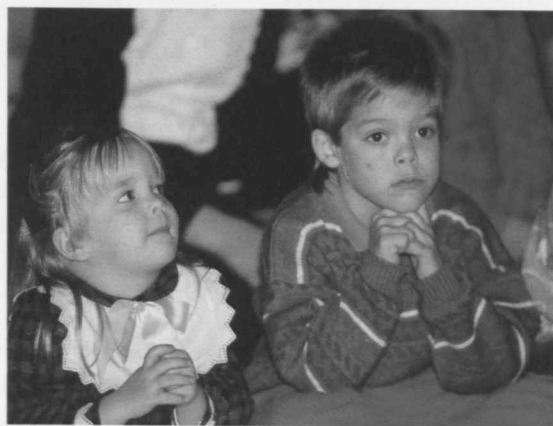
Sanoma Corporation supported staff hobbies and recreational activities in 1987 through the Sanomain Kerho r.y. club's 32 sections. The club arranged the traditional winter and spring gatherings at Jalassaari, a fall gathering and a Halloween party. A large number of Sanoma staff and their fam-

ilies took part in these events.

The staff leisure centers — the seaside cabin in Meri-Teijo, the fell houses in Ruka, Lapland, the row house at the Bomba complex in Karelia, and the Jalassaari club house on lake Lohjanjärvi — were heavily used.

Sanoma day-care center

The Sanoma day-care center is run by the Sanomain Päiväkodin Kannatusyhdistys ry association, which is subsidized by the local authorities of Vantaa, Helsinki and Espoo, as well as by Sanoma Corporation itself. The day-care center has 40 places, mainly for children having one or both parents primarily employed by the Corporation or one of its subsidiaries. During 1987 the day-care center gave special attention to music education, for which the staff received training and regular guidance.



Net Income Information

1983—1987

USD, in millions, except per share data (1)	1983	1984	1985	1986	1987
Net sales	239,0	276,6	312,5	339,6	372,4
Operating profit	40,2	47,1	57,6	60,0	74,2
Interest income, net	+ 4,8	+ 4,5	+ 0,4	+ 0,2	+ 2,1
Extraordinary items	+ 0,5	+ 0,8	+ 2,5	+ 3,9	- 1,8
Income before depreciation and taxes	45,5	52,4	60,5	64,1	74,5
Depreciation (2)	- 15,7	- 19,7	- 22,6	- 29,9	- 34,8
Income before taxes	29,8	32,7	37,9	34,2	39,7
Income tax paid	- 3,4	- 5,9	- 5,8	- 6,8	- 11,2
Deferred income tax expense	- 11,2	- 10,1	- 12,7	- 9,9	- 8,3
Net income	+ 15,2	+ 16,7	+ 19,4	+ 17,5	+ 20,2
Earnings per share USD (Sanoma Corporation is closely held, the shares are not publicly traded)	32,0	35,2	40,8	36,8	42,7

1) The exchange rate as of December 31, 1987, quoted by the Bank of Finland was 3,954 FIM per USD.

2) Based upon remaining useful lifetime and replacement value

Income Statement Information 1983—1987

USD, in millions, (1)	1983	1984	1985	1986	1987
Income before depreciation and taxes	45,5	52,4	60,5	64,1	74,5
Depreciation according to Finnish Tax Act	- 16,5	- 16,4	- 28,9	- 29,9	- 25,9
Additional depreciation allowed by special tax relief legislation	- 22,6	- 6,7	-	-	-
Adjustments to untaxed reserves (2)	+ 2,2	- 19,3	- 20,1	- 18,6	- 21,3
Income before income tax paid	8,6	10,0	11,5	15,6	27,3
Income tax paid (3)	-	-	-	-	- 11,2
Statutory net income	8,6	10,0	11,5	15,6	16,1

1. The exchange rate as of December 31, 1987, quoted by the Bank of Finland was 3,954 FIM per USD.
2. For Finnish tax purposes companies are allowed to claim various tax deductions principally by charging income for adjustments to untaxed reserves and accumulating these charges on the balance sheet. These adjustments must also be reflected in the financial statements. Earnings per share calculations are based on net income after taxes net exclusive of untaxed reserves.
3. As permitted under Finnish accounting practice the Company reduced income tax expense by FIM 3,4; 5,9; 5,8 million in 1983, 1984, 1985, 1986 respectively and reflected such an amount as a reduction of retained earnings.

Circulation figures

Newspaper Division	1983	1984	1985	1986	1987
Helsingin Sanomat (daily)	420.038	425.943	427.614	430.251	441.735
HS-Sunday edition	491.170	501.539	505.471	512.401	524.109
Ilta=Sanomat (afternoon paper) . .	148.990	163.791	184.151	193.971	204.470
I=S-weekend edition	189.374	209.689	220.027	230.772	236.260
Sanomaprint magazines					
Me naiset (women's weekly) . . .	123.367	130.065	122.672	101.886	97.491 ¹⁾
Gloria (women's monthly)	—	—	—	—	42.827 ¹⁾
Kodin Kuvaletti (family bi-weekly)	183.732	181.484	171.011	162.133	165.008
Suuri Käsityökerho (handicraft) . .	102.319	106.629	102.035	98.373	110.130
Sandra	—	—	—	—	12.941 ²⁾
Specialty magazines					
et-lehti (for senior citizens)	65.359	81.618	95.687	113.271	128.079
Eläinmaailma (fauna)	39.186	43.935	42.166	38.286	36.227
Kansa Taisteli (war memoirs) . . .	33.565	33.458	30.545	28.178	—
Tiede 2000 (science)	21.927	23.110	25.855	31.067	33.684
Terveys 2000 (health)	—	—	—	18.391	23.046
MikroBitti (microbyte)	—	37.097	43.676	42.303	41.641 ³⁾
Hifi (hifi)	—	11.563	13.046	14.059	12.873 ³⁾
Tietokone (computer)	—	10.385	10.350	9.967	11.172 ³⁾
Proessori (processor)	—	6.389	6.037	5.831	5.708 ³⁾
Skimbaaja (skiing)	—	—	—	13.719 ⁴⁾	13.215
Children's magazines					
Aku Ankka (Donald Duck)	292.146	291.852	281.244	279.957	286.760
Roope-setä (Uncle-Scrooge)	66.195	67.770	56.071	49.772	49.025
Nalle Puh (Winnie-the Pooh)	57.802	59.588	53.075	47.572	44.664
Liisa Ihmemaassa					
(Alice in Wonderland)	—	—	20.897	13.410 ⁵⁾	—
Maija Mehiläinen (Maja the Bee)	—	—	—	29.705 ⁶⁾	16.957

Given figures show the average officially inspected circulation for each newspaper and magazine. ¹⁾ Circulation April—December 1987 ²⁾ Circulation September—December 1987 ³⁾ Circulation January—June 1987 ⁴⁾ Circulation July—December 1986 ⁵⁾ Circulation January—October 1986 ⁶⁾ Circulation November—December 1986.

Developments in Cable TV

For various reasons, 1987 was a significant year for cable TV operations in many parts of the world. In the U.S.A., a long-awaited-for milestone was reached when more than fifty percent of the U.S. households were connected to cable networks. Europe celebrated the fifth birthday of Sky Channel, the old continent's first satellite channel. At the same time, the number of households connected to cable TV networks in Europe reached 13 million.

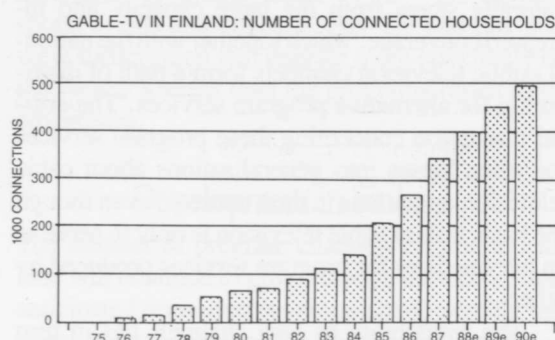
In Finland, the most important event for the cable TV industry was the new cable TV legislation which came into force at the beginning of June. The law had been in preparation for a long time and caused many lengthy discussions on communication policy. At the close of 1987, the total number of households connected to cable TV networks in Finland amounted to about 345,000. The annual growth was about 80,000 new households.

Cable TV is a distribution system

The development of cable networks started in the U.S.A. in regions where no other TV picture was available or where the reception was otherwise poor. The best solution in this case was placing the shared antenna in the best possible location and distributing the signal by cable to the households in the dead space. In addition to improving the picture quality, the concentrated system also had an economic edge over the use of individual antennas.

In the same way, in countries with the densest cable networks — Belgium, Holland and Switzerland — cable operations have for decades offered, both technically and economically, the most advantageous way of receiving numerous domestic and foreign TV and radio channels. In these countries, the coverage of the distribution systems has been further increased by transmitting signals from the borderline regions to the heartland by means of link systems. This means that in different parts of

Switzerland, for example, the channels of several neighboring countries can be viewed irrespective of geographical conditions.



In neighboring Norway, cable operations have grown primarily from the need to improve the reception quality and to offer the possibility to watch Sweden's TV programs. For the same reason, in Finland too, especially in the Swedish language Ostrobothnia region, there have sprung up numerous cable networks. Without these, viewing of Sweden's broadcasts would not be possible in practice. The building of cable networks instead of house-specific antennas has won wide popularity with municipalities, for example, also due to the fact that they do not impair the landscape.

For the existing TV and radio signals, cable TV is a reception and distribution system, which offers technical and economic advantages when compared with individual reception, shared antennas and master antenna systems. The differences with respect to other methods of reception will increase as the number of TV channels grows and their distribution via satellites and new transmission norms becomes more common.

Directors and Officers

Board of Directors

Aatos Erkko, Chairman
Väinö J. Nurmimaa, Vice Chairman
Aarne Castrén
Pentti J. K. Kouri
Teo Mertanen
Jaakko Rauramo
Patricia Seppälä

Executive Committee

Aatos Erkko, Chairman
Väinö J. Nurmimaa
Jaakko Rauramo

Remuneration Committee

Aarne Castrén, Chairman
Teo Mertanen
Väinö J. Nurmimaa

Media Policy Committee

Teo Mertanen, Chairman
Aatos Erkko
Jaakko Rauramo

Corporate Administration

Aatos Erkko, Chairman and Chief Executive Officer
Jaakko Rauramo, President and Chief Operating Officer
Heikki Huhtanen, Executive Vice President and General Manager, Newspaper Division
Matti Anderzén, Executive Vice President, Communications Policy and Community Relations

Jaakko Hannuksela, Vice President, Planning and Development
Pertti Huhtala, Vice President and General Manager, Startel
Tapio Kallioja, Vice President and General Manager, Eurocable Group
Martti Ojares, Vice President, Finance
Kerstin Rinne, Vice President, Legal Affairs
Heikki Saraste, Vice President and General Manager, Sanomaprint
Pekka Toropainen, Vice President, Real Estate

Newspaper Division

Heikki Huhtanen, General Manager

Matti Huopaniemi, Deputy General Manager and Vice President, Marketing, Helsingin Sanomat
Sakari Almi, Vice President, Marketing, Ilta=Sanomat
Tapani Kivelä, Vice President, Administration and Finance
Pertti Metsähuone, Vice President, Advertising Sales, Helsingin Sanomat
Jouko Nurmela, Vice President, Production
Pertti Puolakka, Vice President, Logistics

Helsingin Sanomat

Heikki Tikkanen, Senior Editor in Chief
Keijo K. Kulha, Editor in Chief
Seppo Kievari, Editor in Chief
Simopekka Nortamo, Editor in Chief

Ilta=Sanomat

Vesa-Pekka Koljonen, Senior Editor in Chief
Lauri Helve, Editor in Chief

Oy Lippupalvelu—Biljettjänst Ab

Elvi Neuvonen, Managing Director

Sanomaprint

Heikki Saraste, General Manager

Heikki Mielonen, Vice President, Administration
Anne Valsta, Vice President, Marketing
Eero Sauri, Vice President, Business Publications
Antero Väisänen, Vice President, Fulfillment
Hannu Kilttilä, Vice President, Commercial Printing

Erikoislehdet Oy

Harri Roschier, Managing Director

Tecnopress Oy

Eero Hakala, Managing Director (until January 31, 1988)

Eurocable Group

Eurocable Oy

Tapio Kallioja, Managing Director

Helsinki Televisio Oy

Pekka Jaakola, Managing Director

Janco Kabel-TV A/S

Kjell Gulliksen, Managing Director

ECI Communications AG

Tapio Kallioja, Managing Director

Startel

Pertti Huhtala, General Manager

Hannu Aunesluoma, Vice President, Information Systems

Sininen Kirja Oy

Pertti Huhtala, Managing Director

* *

Lehtikuva Oy

Patricia Seppälä, President

Simonpaino Oy

Nils Ittonen, Managing Director

Sanoma, Inc.

Aatos Erkko, President

Crafton Graphic Company, Inc.

Henry A. Engler, President

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